

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

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FM AMEMBASSY DUBLIN

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INFO AMEMBASSY BRUSSELS

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UNCLAS DUBLIN 1366

E.O. 11652: N/A

TAGS: EAIR, EI

SUBJ: AER LINGUS REPORTS 1974/75 LOSS

1. AER LINGUS, THE IRISH NATIONAL CARRIER, HAS JUST RELEASED ITS ANNUAL REPORT FOR THE FINANCIAL YEAR ENDING MARCH 31, 1975. THE COMPANY'S OVERALL LOSS ON OPERATIONS, AFTER DEDUCTING PROFITS FROM ANCILLARY ACTIVITIES, AMOUNTED TO 5.3 MILLION POUNDS. TOTAL REVENUES IN THE YEAR WERE 63.3 MILLION POUNDS AND EXPENDITURE TOTALLED 65.9 MILLION POUNDS, LEAVING AN OPERATING LOSS OF 2.6 MILLION POUNDS (COMPARED TO AN OPERATING PROFIT OF 3.9 MILLION POUNDS IN 1973/74). THE DIFFERENCE BETWEEN THE OVERALL LOSS OF 5.3 MILLION POUNDS AND THE

OPERATING LOSS IS ACCOUNTED FOR BY INTEREST PAID ON LOAN CAPITAL. AFTER

TAKING INTO CONSIDERATION "EXTRAORDINARY ITEMS" (MOSTLY RESULTING FROM THE FINANCIAL SETTLEMENT WITH AMERICAN AIRLINES), THE LOSS TRANSFERRED TO RESERVES AMOUNTED TO 2.1 MILLION POUNDS, AS COMPARED WITH A PROFIT OF 782,000 POUNDS CREDITED IN THE PREVIOUS FINANCIAL YEAR.

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2. TO OFFSET INCREASED FUEL PRICES AND INFLATION IN GENERAL,

FARES AND CARGO RATES WERE INCREASED DURING THE YEAR. HOWEVER, AN OVERALL SHORTFALL OF 6 PERCENT IN PASSENGER TRAFFIC AND A DROP OF 1 PERCENT IN CARGO TONNAGE, MADE THE FARE INCREASES INSUFFICIENT TO OFFSET THE LOSS. TOTAL EXPENDITURE IN 1974/75 INCREASED BY 16 MILLION POUNDS OR 32 PERCENT OVER THE PREVIOUS YEAR. MAIN INCREASES WERE FUEL (6.3 MILLION POUNDS) AND PAY-ROLL (6.2 MILLION POUNDS). SCHEDULED PASSENGER TRAFFIC ON THE DOMESTIC AND EUROPEAN SERVICES DECREASED BY 5 PERCENT IN THE YEAR UNDER REVIEW, WHILE ON THE TRANSATLANTIC, SERVICES FELL BY 12 PERCENT. THE DROP IN CHARTER TRAFFIC WAS 9 AND 15 PERCENT, RESPECTIVELY. TRAFFIC ON THE TRANSATLANTIC SERVICES DECLINED FOR THE THIRD YEAR IN SUCCESSION. MUCH OF THE DECLINE IN TRAFFIC WITH THE UK IS ATTRIBUTED TO THE POLITICAL DIFFICULTIES IN NORTHERN IRELAND; HOWEVER, THE GENERAL ECONOMIC SITUATION MAKES A LARGE CONTRIBUTION AS WELL. WHILE RECESSION AND INFLATION CONTRIBUTED GREATLY TO THE DECREASE IN TRANSATLANTIC SERVICES, AER LINGUS IS OF A VIEW THAT POLITICAL DIFFICULTIES WERE ALSO A DETERRENT TO TRAVEL.

3. AER LINGUS HAS NOT MADE PUBLIC FINANCIAL PROJECTIONS FOR 1975/6 BUT AIRLINE INDUSTRY REPRESENTATIVES IN DUBLIN ARE OF THE VIEW THAT THEY WILL SUFFER EVEN LARGER LOSSES THIS YEAR.

REND AHL

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